

# Minnesota Housing Conventional Products

## What is Mortgage Insurance?



Private mortgage insurance (PMI) is required on conventional loans (Fannie Mae HFA Preferred™ or Freddie Mac HFA Advantage<sup>SM</sup>) if your downpayment is less than 20% of the purchase price. The PMI helps protect the lender from losses if you don't repay your loan.

### What are my mortgage insurance options?

If you use a Minnesota Housing conventional loan product, you have several mortgage insurance options which you should discuss with your lender, the two most common options are:

1. **Borrower-paid MI:** You make monthly MI payments as part of your monthly mortgage payment.
  - Slightly lower interest rate
  - MI premium added to monthly mortgage payment
  - May be cancelled when the loan principal balance reaches 80% of the original property value
2. **Upfront paid MI:** In exchange for a slightly higher interest rate, the lender pays the MI premium in a lump sum at closing, eliminating the need for you to make monthly MI payments.
  - MI is included in the interest rate, resulting in a slightly higher rate
  - Typically results in a lower monthly mortgage payment
  - No need to cancel MI when the loan principal balance reaches 80% of the original property value
  - More restrictive eligibility requirements apply

### For More Information

To learn more, visit the Minnesota Housing website at [www.mnhousing.gov](http://www.mnhousing.gov) to see our [Conventional Product Comparison](#). Talk to a Minnesota Housing approved [lender](#) to find out which financing option is right for you.